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Shoulder to shoulder: the European View of the Transatlantic Relationship and the State of the WTO

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Ladies and gentlemen,

I am glad to have this opportunity to speak to such an esteemed audience today.

You have asked me to present a European view of the transatlantic economic relationship and the current state of the multilateral trade negotiations. Given your NATO focus, I will also use this opportunity to say a few words on the interface between trade and security.

Trade is an engine of prosperity.

The EU itself started life sixty years ago in 1951 as the creation of a common market out of the raw materials used for war (coal and steel). It has been our own experience that an effective and prosperous marketplace ties countries together and provides a beacon of prosperity to our neighbours.

Forty years after the creation of the Economic Coal and Steel Community, a wave of freedom and a desire for prosperity rippled out across Eastern Europe. Again, opening up markets contributed to growth and created a powerful pole of attraction as many of our Eastern neighbours joined the club that helped to find economic security for citizens.

Trade in goods and services, and investment, lead to economic growth. But it also brings about interdependence and, ideally, also better mutual understanding. There may be trade disputes, but, overall, history has shown that economic interdependence serves to cement the broader political relationship.

Through the Eastern Partnership and the Barcelona process we are reaching out to our near neighbours. The EU is the biggest trading partner for many countries in the region – not least for Egypt and Tunisia.

Trade is a source of economic growth that binds countries together.

Take the transatlantic economy – the biggest commercial artery in the world, worth about 3.2 trillion Euros. Together, the EU and the US cover about a third of global trade and about 50 % of the world's GDP.

The transatlantic economy is one of the most successful job creating machines. It employs an estimated 14 million workers on both sides of the Atlantic.

The considerable economic interdependence between the US and the EU is mainly characterised by the unrivalled size of its investment relationship.

A third of all Foreign Direct Investment outflows from the EU go to the United States. This is more than the next six destinations combined.

In turn, the US has invested more than € 1 trillion in the EU – more than the next 20 countries combined.

The transatlantic marketplace is thus the most integrated economic relationship in the world.

But – and this is one of my main messages today – we are still far from using the full potential of this partnership. This will be crucial for creating jobs and growth on both sides of the Atlantic and more globally.

The world economy has had a rocky ride over the past few years. We have not come through it unscathed. But it would have been a lot worse without the stable framework of the WTO.

With the greatest economic crisis in decades, there has so far been no major protectionist backlash. Global leaders have – mostly – kept their promises to keep their borders open. Europe has been at the forefront of monitoring markets. We have kept our open-orientated and assertive trade policy.
There is a “responsibility” of the EU and the US to stand together for free and fair markets.

But the multilateral and the bilateral avenues are not each other's enemy. Promoting the WTO does not mean us staying inactive on transatlantic trade and investment.

How can we strengthen our bilateral relationship?

This is not so much about tariffs – which are low, on average 2-3% - but about unnecessary barriers in the regulatory field.

Studies have shown that by reducing such barriers, we could fire up trade and growth on both sides of the Atlantic. For example, recent study suggests that getting rid of half of existing non-tariff barriers between the EU and the US would boost the EU’s GDP by €125 billion a year.

This is the mission of the Transatlantic Economic Council, in short the "TEC".

The TEC was set up in 2007 – by President Bush and under the German EU Presidency - to guide and stimulate the work on transatlantic economic convergence. It was meant to give the transatlantic partnership a new boost and there was a lot of hope for a meaningful upgrade of EU-US economic relations

I think it is fair to say that the TEC did not fulfill its expectations so far. When I and the Deputy National Security Advisor Mike Froman were appointed the new co-chairs of the TEC early last year, we decided to reposition the work of the TEC:

First, we wanted to bring the TEC closer to the heart of our economic policy agendas: our EU 2020 Strategy and their agenda, notably the New Export Initiative, which all aim at generating growth and jobs by preventing barriers and by creating new opportunities for business.

Second, we wanted to use the TEC as a continuous process, rather than a yearly one-off event.

And third, we wanted to focus the regulatory work of the TEC on economically relevant issues of mutual interest, to identify a number of issues where EU-US cooperation could produce achievable results in a reasonable time horizon and to engage in a strategic discuss on selected global economic issues.

This approach has worked and we had a very successful meeting last December. We saw a number of tangible results already to promote innovation and have agreed actions to step up our cooperation in areas such as e-health, energy efficiency, and electric vehicles. We also agreed concrete measures to bring our economies closer together by facilitating trade and fostering cooperation in specific sectors, such as chemicals, raw materials and in the ICT sector. We are determined to build on this initial success and to go further.

It is important to underline that the TEC is currently the only EU-US high level forum in which economic issues can be discussed in a coherent and coordinated manner. At the same time, the TEC provides for a political forum for discussing strategic global economic questions. Overall, the – so far untapped – potential of the TEC is considerable: it can serve as an important strategic and economic tool in the creation of a transatlantic market place. The TEC is one of the most important projects in transatlantic relations today.

Ladies and gentlemen,

Trade is the fuel that powers both the transatlantic economy as much as the global economy. It has been one of the most important contributors to the recovery – in Europe and elsewhere.
The latest figures indicate that net exports were responsible for one third of the 1.8% EU's GDP growth in 2010. In other words, trade was as important for the EU's renewed growth as domestic demand. Global trade is now well up from its crisis levels: the volume of global trade is now 22.2% above the level reached in May 2009. In many countries exports are the engine of growth and competitive inputs are the incentive to more efficient processes.

This is a clear lesson in what trade can achieve: the strength of global growth has helped many companies and workers stay in business.

Global trade needs to be given a fresh shot in the arm.

This means unlocking the WTO trade negotiations.

**Ladies and gentlemen,**

The Doha Development Round is in its tenth year. It was born in the aftermath of the September 11th attacks. The shadow cast by the terrible event led global leaders to reach out and to work together to provide a boost to the global economy and to deliver unprecedented development gains.

Ten years on – and in the light of rather different global economic challenges - many countries do now feel a sense of urgency to complete the negotiations. At the World Economic Forum in Davos last month, I felt a strong willingness from the major players to complete the negotiations this year.

To do so, we need to preserve what is already on the table (80% of the package, according to Pascal Lamy), and complement it by delivering robust outcomes in areas of “unfinished business”. This means services trade, sectoral arrangements for industrial goods, and “rules” type issues.

What is already on the table is not insignificant. Estimates point to an additional €135 billion to global output, and an extra €310 billion to world exports on an annual basis.

But we must not limit our ambition here. By going the last mile in the "unfinished business", particularly services and sectoral arrangements in industrial goods, it would further boost these gains. According to one study, we could get an additional GDP increase of just under $300bn per year.

It is also clear that Doha is a 'Development' Round; meaning that we need an outcome that duly addresses the needs of the poorest and most vulnerable members of the WTO. Supporting their integration to the multilateral trading system can be a powerful engine for development, and a source of new opportunities for growth.

To complete the Round, all main players need to contribute more. The EU and US must continue their traditional leadership role. But there are also expectations of the major emerging countries that have reaped considerable benefits from the world trading system in the past few decades.

There is a perception that if the current window of opportunity is not seized, the WTO rule book and negotiating agenda will simply not be able to keep pace with the global economy. The Doha agenda was effectively set in the nineties of last century.

If Doha is not completed, we cannot move to a 21st century trade agenda. Failure to complete the negotiations in 2011 might create lasting damage to the world trading system.
In a world characterised by global supply chains, we need global trade liberalisation and a strong multilateral system of rules. The system must be reinforced to keep up with a rapidly evolving trading environment.

**Ladies and gentlemen,**

The link between trade and security is nowhere more apparent than in the field of dual-use goods: goods which can have both military and civilian uses. These items provide a lot of utility to our societies but are unfortunately also in high demand for military use around the world.

There is a responsibility on all of us to make sure that legitimate trade in dual-use goods continues unhindered, but that we do our utmost to ensure that such items do not make their way to military uses, in particular to countries whose political agenda gives rise to concern. By doing so, we contribute to global economic development and to global security.

The European Union is actively engaged in legislation that facilitates exports in low-risk situations, while allowing authorities to fully concentrate on those transactions they should really be worried about. Further improvements to our approach will follow a consultation scheduled later this year.

Similar reforms are being undertaken around the world as governments realise that controls developed in a different era no longer correspond to today's dynamic and globalised economy. I am following with interest the reform of the US export control system and have noted that many of the recently proposed reforms mirror the EU's approach.

However, unilateral actions cannot ensure security. A concerted effort is required from all of us.

**First,** we need to stop building additional trade barriers between us, as these are not the solution to proliferation problems. The European Union already has a single market composed of 27 Member States in which dual-use items can for the most part circulate freely. We need to work toward achieving a similar level of trust and confidence within the transatlantic community.

**Secondly,** we need to stop purely political considerations from obstructing progress in the non-proliferation area. For many years, the full involvement of all EU Member States in international export control work has been blocked due to purely political motivations, which not only damage trade relations, but also hinder security efforts.

**Finally,** we must realise that introducing tremendous export control burdens on the governments and businesses of (importing) partner countries is not a model that can be sustained.

By truly working together in this sensitive field, we will sustain both wealth and security.

Thank you very much for your attention.